

Message Text

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APPROVED BY EB/ITP/MWGLITMAN

C - MR. SHINN

EUR/SOV - MR. LYNN

S/S-O: PSHANKLE

EB - MR. PAZDRAL

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 128622 TOSEC 020260

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LIMDIS

E.O. 11652: GDS

TAGS: UR, US, EEWT

SUBJECT: BRIEFING MEMORANDUM - INTERAGENCY PAPER ON STEPS
WITH CONGRESS TO NORMALIZE EAST-WEST TRADE (S/S 7511137)

FOR THE SECRETARY FROM ENDERS AND ARMITAGE

1. THERE FOLLOW SECTIONS III AND IV OF INTERAGENCY PAPER
PREPARED FOR DISCUSSION AT EAST-WEST FOREIGN TRADE BOARD
MEETING JUNE 4; STATE RECOMMENDATIONS WERE TRANSMITTED BY
EARLIER SEPTTEL.

BEGIN QUOTE. SECTION III - OPTIONS:

THE SPECIFIC PROVISIONS IN US LAW WHICH NEED TO BE
CORRECTED IN ORDER TO OBTAIN THE BENEFITS AND IMPLEMENT
THE POLICY OUTLINED IN THE INTRODUCTORY SECTION, ARE THE
FOLLOWING:

SECTION 402 OF THE TRADE ACT

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(A) THE FREEDOM OF EMIGRATION CONDITIONS ON GRANTING
MFN AND ENTERING INTO COMMERCIAL AGREEMENTS,

(B) THE FREEDOM OF EMIGRATION CONDITIONS ON THE GRANTING

OF OFFICIAL CREDITS.

CREDIT LIMITATIONS

IN ADDITION, IF THE EMIGRATION CONDITION ON OFFICIAL CREDITS WERE REMOVED, THE LIMITATIONS ON EXIMBANK CREDITS TO THE USSR SHOULD ALSO BE REMOVED (THE 300 MILLION DOL "CEILING," THE SUB-CEILING OF 40 MILLION DOL FOR RESEARCH OR EXPLORATION OF FOSSIL FUELS, AND THE PROHIBITION ON LOANS FOR PRODUCTION OF FOSSIL FUELS). THESE LIMITATIONS ARE INCLUDED IN SECTION 613 OF THE TRADE ACT AND IN THE EXIMBANK LEGISLATION.

OPTIONS

THERE ARE THREE BASIC CHOICES:

- (1) INTRODUCE LEGISLATION TO AMEND EXISTING LAW;
- (2) ATTACH TO A GERMANE BILL A RIDER WHICH WOULD SERVE THE SAME PURPOSE; AND
- (3) DEFER INTRODUCING LEGISLATION, WHILE CONCENTRATING ON BUILDING A POSITIVE CLIMATE FOR LATER INTRODUCTION AND PASSAGE OF LEGISLATION.

THE APPROACH CHOSEN DEPENDS ON AN ASSESSMENT OF THE CHANCES OF CONGRESSIONAL APPROVAL AND OUR APPRAISAL OF HOW THE SOVIETS MIGHT REACT TO THESE CHANGES.

3. IV. RECOMMENDED COURSE OF ACTION

IN HIS STATEMENT TO THE U.S.-U.S.S.R. JOINT COMMERCIAL COMMISSION ON APRIL 10, SECRETARY SIMON SAID THAT CHANGE IN THE JACKSON-VANIK AMENDMENT WOULD MATERIALLY DEPEND ON TWO FACTORS. FIRST, THAT INTRODUCTION OF LEGISLATION MUST PROCEED ON THE BASIS OF A CLEAR CONSENSUS BETWEEN CONFIDENTIAL

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THE ADMINISTRATION AND THE RESPONSIBLE LEADERS OF CONGRESS. SECOND, THAT THE SOVIETS COULD HAVE A SUBSTANTIAL IMPACT ON THE CLIMATE FOR LEGISLATIVE CHANGE BY HELPING ACHIEVE VISIBLE FORWARD MOVEMENT IN OTHER AREAS OF DETENTE.

IT IS THE CONSENSUS OF THE SUB-GROUP THAT THE ABSENCE OF A CLEARLY DEMONSTRATED SOVIET ATTITUDE OF COOPERATION ON EMIGRATION AND THE CONTINUING STRONG CONGRESSIONAL RELUCTANCE TO AMEND SECTION 402 NOW, MAKE IT INADVISABLE AT THE PRESENT TIME TO INTRODUCE SUCH LEGISLATION. HOWEVER, THIS CONCLUSION SHOULD BE REVIEWED AND REASSESSED IN THE LIGHT OF DEVELOPMENTS DURING THE SUMMER, SUCH AS THE OUTCOME OF ADMINISTRATION CONSULTATIONS WITH THE

CONGRESS, THE SENATE COMMERCE COMMITTEE HEARINGS, CONGRESSIONAL CONSIDERATION OF THE ROMANIAN AGREEMENT, EVIDENCE OF EMIGRATION, AND PROGRESS ON ASPECTS OF DETENTE, PARTICULARLY THE MIDDLE EAST AND SALT.

THOUGH THERE IS A CONSENSUS THAT NO FORMAL STEPS TOWARD INTRODUCTION OR PASSAGE OF LEGISLATION SHOULD BE TAKEN FOR THE NEXT SEVERAL MONTHS, REPRESENTATIVES OF MOST AGENCIES STRONGLY BELIEVE THAT ACTION SHOULD BE TAKEN ALONG TWO LINES NOW.

FIRST, ADMINISTRATION OFFICIALS SHOULD CONTINUE TO MAKE THE PUBLIC CASE THAT JACKSON-VANIK HAS BEEN HARMFUL AND THAT LEGISLATIVE CHANGE IS NEEDED IN THE NATIONAL INTEREST (AT AN UNSPECIFIED DATE). THUS THE ADMINISTRATION SHOULD ATTEMPT TO CAPITALIZE ON THE APPARENTLY OVERWHELMING MEDIA OPPOSITION TO JACKSON-VANIK. OFFICIALS SHOULD BE PREPARED TO CITE SPECIFIC EXAMPLES OF ADVERSE EFFECTS ON UNITED STATES EMPLOYMENT AND U.S. COMMERCIAL INTERESTS AND THE WAYS IN WHICH THE NATION'S HUMANITARIAN CONCERN FOR JEWISH EMIGRATION IS BEING DISSERVED.

SECOND, IN ORDER TO SATISFY UNDERSTANDINGS BETWEEN AMERICAN AND SOVIET OFFICIALS THAT AN ATTEMPT WOULD BE MADE TO REMOVE TRADE RESTRICTIONS AND THAT THE UNITED STATES HAS ACTED IN GOOD FAITH ON THESE UNDERSTANDINGS, PROGRAM OF CONSULTATIONS WITH THE CONGRESS SHOULD BEGIN DURING JUNE. HOUSE AND SENATE LEADERSHIP
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SHOULD BE CONSULTED IN ADDITION TO THE LEADERS OF THE FINANCE AND WAYS AND MEANS COMMITTEES.

AN IMPORTANT OPPORTUNITY FOR PRESENTING THE ADMINISTRATION POSITION ON THESE ISSUES WILL OCCUR ON JUNE 25 WHEN THE SENATE COMMERCE COMMITTEE WILL LAUNCH A MAJOR SERIES OF HEARINGS ON EAST-WEST TRADE. A NUMBER OF ADMINISTRATION WITNESSES WILL BE CALLED. THE HEARINGS SHOULD BE USED TO OPEN A PUBLIC DIALOGUE ON THE MEANING AND EFFECTS OF THE JACKSON-VANIK AMENDMENT, AND TO PRESENT A CONSISTENT ADMINISTRATION POSITION.

AT THE BEGINNING OF JULY - AFTER CONSULTATIONS WITH CONGRESSIONAL LEADERS AND AFTER THE FIRST ROUND OF THE HEARINGS - THE EAST-WEST FOREIGN TRADE BOARD SHOULD MEET AGAIN TO REASSESS THE SITUATION AND DETERMINE IF A FURTHER RECOMMENDATION SHOULD BE MADE TO THE PRESIDENT.

WHATEVER THE OUTCOME OF THE CONSULTATIONS, IT SHOULD BE COMMUNICATED TO THE SOVIETS IN A TIMELY WAY. END QUOTE.

N O T E -- ABOVE TEXT DOES NOT RPT NOT REPRESENT STATE

RECOMMENDATIONS. THIS TEXT SHOULD BE ATTACHED WITH ACTION
MEMO TO THE SECRETARY, SAME SUBJECT, TRANSMITTED EARLIER.
(S/S NR. 7511137). THIS BRIEFING MEMO SHOULD ALSO BE
BROUGHT TO IMMEDIATE ATTENTION OF SONNENFELDT, ROBINSON. MAW

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